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ER building boom is wrong prescription, critics say

As health-care costs spiral ever upward, hospitals race to build free-standing emergency rooms and expand existing ERs. Hospitals say it makes business sense, but critics say the hospital arms race is too costly for businesses, government and families.

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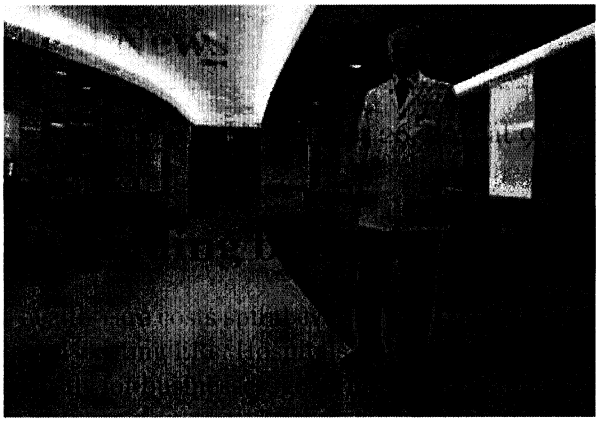

With medical costs spiraling upward and state-paid insurance coverage evaporating, you might think hospitals would discourage patients with sprains and cuts from coming to their emergency rooms for care that would cost much less in clinics or urgent-care centers.

But you'd be wrong.

Hospitals throughout the Puget Sound region are in the midst of a boom, building spiffy new free-standing emergency rooms and entire hospital towers with expanded ERs, and drastically remodeling existing ones.

Swedish Medical Center and Evergreen Hospital Medical Center built free-standing ERs in Redmond, and MultiCare and Valley Medical Center plan to build them in Covington.

What's more, hospitals are marketing their ERs aggressively, crowing about amenities from valet service to private rooms. One hospital posts ER wait times online.

The ER building boom has prompted a backlash from some lawmakers and advocates of affordable health care, who complain that nearly all Washington hospitals get substantial tax

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breaks and construction financing through tax-exempt bonds.

Free-standing ERs, these critics charge, are cash cows for hospitals, strategically built in affluent areas to lure busy, well-insured patients and collect fat reimbursements.

"It's alarming because increasing emergency-room use pushes costs but doesn't improve care," growls state Sen. Karen Keiser, chair of the Senate Health & Long-Term Care Committee. "They're totally countering what we're trying to accomplish: improving access and containing cost."

Hospital-industry leaders say they're doing what patients want and what makes good business sense.

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Modern care requires modern facilities, they say, and some — notably Virginia Mason Medical Center, which opened a new ER this month — argue that building new ERs will save money by enabling better, more efficient care.

How it works

Emergency rooms, which must be broadly equipped and staffed, are allowed under federal regulations to charge more for their services — and they do. And while the state and some private insurers have tried hard to hold a line, ERs demand — and get — higher reimbursements, even for routine care.

For example, the ER reimbursement for a sprained ankle might be $700, three or four times that for a visit in a primary-care or urgent-care clinic, says Dr. Joseph Gifford, executive medical director for Regence BlueShield.

For hospitals, he says, "It's a bonanza."

At the same time, federal law requires ERs to treat everyone. "The problem with that, in practice, is it's created a slippery slope, a blurry line" as to what's a real emergency, says Gifford.

For hospitals, the ER is the primary conduit of patients into inpatient beds, says Dr. John Milne, vice president for medical affairs for Swedish's Eastside campuses.

Maybe it's a heart-attack sufferer who is then sent to surgery and intensive care, or someone with a dog bite or a rash who, impressed with the good service, will return for elective surgery.

Since 2005, Swedish has built three free-standing ERs: One in Issaquah that closed this year when Swedish opened a hospital there; one in Redmond and one in Mill Creek.

A patient at a free-standing ER who needs hospital services will be taken by ambulance to a hospital, typically one in the same system. Although the ride is often expensive, overall the

delays haven't posed a risk to patients, according to Dr. Mickey Eisenberg, medical director of King County Emergency Medical Services. That's partly because paramedics take patients with obviously life-threatening injuries or illnesses directly to full-service hospitals, he says.

And for Swedish, the free-standing ERs have helped connect the organization with busy Eastsiders.

Milne doesn't mince words: "We're trying to compete for an increasingly shrinking pool of patients with good insurance."

This year, MultiCare's Good Samaritan opened a new, $380 million tower and expanded ER in Puyallup; Providence Regional's $500 million new tower in Everett houses an ER bigger than a football field.

Virginia Mason Medical Center opened its sparkling emergency department this month in a new pavilion in Seattle.

Virginia Mason's chief executive, Dr. Gary Kaplan, argues that good design saves money by saving staff time, reducing the chance of errors and allowing a faster, more complete patient workup.

That, he says, is what drove Virginia Mason to spend $8 million on its new ER, which doctors, nurses and other care providers helped design.

"This facility is designed to support a waste-free process," says Kaplan. Waste in this case means wasted steps, wasted energy, wasted procedures.

Hospital leaders say building is often less costly than remodeling — in part because today's ER has changed, says Swedish's Milne.

For example: Decades ago, a patient with possible pneumonia might spend weeks in a hospital being diagnosed, treated and recovering. With today's ER, that process can be dramatically condensed.

"I feel encumbered by the term 'emergency,' " Milne says. "What we really are is the 'rapid diagnostic and treatment center.' "

Cost concerns

Despite the impassioned delivery, the arguments by hospital leaders haven't won over critics concerned about health costs for the state's government and businesses.

"What's troubling is, you see all this expansion, and it's not showing up in reduced rates," says Steve Hill, board chairman of the Puget Sound Health Alliance, which seeks more affordable health-care coverage for employers.

What Hill does see is more competition among hospitals — "there's essentially an arms race going on," he says. "This is bankrupting families and businesses and governments."

Politically, this issue has captured attention from Republican and Democratic lawmakers.

"Cost is *the* issue in health care," said Sen. Cheryl Pflug, R-Maple Valley.

Pflug sponsored a bill in the Legislature's last session to halt free-standing ER construction

until the cost impact is assessed.

Building and advertising upscale amenities, such as Swedish/Issaquah's "destination restaurant," is a "sad waste of precious health-care resources," complains Keiser, the Senate committee chair.

At the heart of the conflict is an identity crisis: Is a hospital a private business — or a public service?

"Hospitals are a business," Keiser sighs. "They're trying to maximize their business."

That said, hospital care isn't like other commodities — eggs, say. With eggs, if you increase supply, competition drives the price down.

Not so with health care, economists say. When there are more back surgeons in a community, for example, the number of procedures goes up, increasing costs overall. Likewise, if there are more hospital beds, hospitals will find ways to fill them, advertising the latest diagnostic imaging device, robotic-surgery system or advance in cancer care.

Last year, the Center for Studying Health System Change, a national research group, noted concerns that increased competition around Seattle could increase overall costs. It found hospitals invading one another's turf with free-standing ERs and vying to provide big-ticket specialty procedures in cardiac, cancer and orthopedic care.

And while communities may welcome the arrival of new facilities and the jobs they bring, critics keep coming back to costs. "Overcharging for health care is not, in my opinion, the kind of job development we're after," says Pflug.

For Keiser and Pflug, tax breaks are the rub: Hospitals get low-cost construction loans through a state agency that arranges tax-exempt bonds, which has saved them about $290 million in the past four years alone. Then they get a break on business and occupation taxes and typically pay no property taxes.

The property-tax exemption saves hospitals about $70 million a year, the state Department of Revenue says.

Despite the breaks, hospital construction costs money, critics say, and patients pay for that in their bills.

Taxpayers are "getting soaked," Pflug charges. Hospitals are making money, she says, "but where is it going?"

Lagging regulation

Efforts to regulate hospital building and ER expansion haven't worked.

The state, through its Certificate of Need program, lost in its attempt to block Swedish's Issaquah expansion, and it has no power to curtail free-standing ERs. A bid by Medicaid officials to cut nonemergency ER costs was derailed after doctors and hospitals sued. And the bills by Pflug and Keiser targeting hospital expansion and accountability didn't pass last session.

Ironically, both hospitals and critics say they agree: Incentives have shaped a "build it and they

will come" economy and created an unsustainable cost spiral.

What we really need now is more good primary care, says Hill, of the Puget Sound Health Alliance, "and we're going in the wrong direction."

Milne, at Swedish, agrees.

Current "perverse incentives," he says, financially reward hospitals for doing more, and punish efficiency.

If he were the nation's health-care czar, he says, he'd make sure hospitals were rewarded for keeping patients out of their beds. For now, though, "we're going to keep on doing the best thing for our bottom line in the short term."

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